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# Wasatch Small/Mid Cap ETF (WSMD) Frequently Asked Questions

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## Overview

### WHAT IS THE WASATCH SMALL/MID CAP ETF?

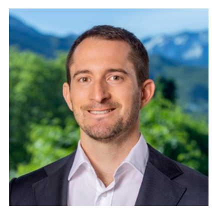
The Wasatch Small/Mid Cap ETF (WSMD) targets the U.S. SMID-cap equity market, which typically encompasses companies within the Russell 2000® and Russell Midcap® Indices. That universe includes more than 4,000 stocks within the ETF's investment range, providing ample opportunity for a differentiated and truly active offering.

The portfolio emphasizes high-quality, long-duration growth businesses—an area where Wasatch has developed deep expertise over more than 50 years. These holdings are selected through a disciplined, bottom-up fundamental research process focused on identifying companies capable of sustaining durable, self-funded growth over time. Wasatch expects individual stock selection within these core holdings to be the primary driver of alpha for the ETF.

PORTFOLIO MANAGERS

**Jim Shaughnessy**
Portfolio Manager

13
Years of experience



**Dan Aloisio, CFA**
Portfolio Manager

13
Years of experience

To complement its core holdings, the ETF includes a risk management component designed to balance portfolio biases (quality and growth) and align the overall portfolio with the characteristics of a broad SMID-cap benchmark. Wasatch identifies stocks for the risk management component through a quantitative framework, supplemented by fundamental research.

### WHY DID WASATCH DESIGN THE ETF?

Wasatch designed the ETF for investors seeking actively managed SMID-cap exposure in an ETF wrapper. It may be particularly relevant for investors who value active stock selection, daily liquidity, transparency and potential tax efficiency.

### WHERE SHOULD THE ETF FIT WITHIN A CLIENT'S ASSET ALLOCATION?

Given its broad exposure to the SMID-cap market, the ETF can serve as a core, stand-alone component of a client's SMID-cap equity allocation. The ETF also serves as a close proxy to the small-cap market, with improved liquidity due to the ETF wrapper.

### WHAT IS THE ETF'S INVESTMENT OBJECTIVE AND TARGET OUTCOME?

The ETF seeks to provide diversified exposure to U.S. SMID-cap equities and seeks to outperform the Russell 2500® Index over a full market cycle. The ETF draws upon Wasatch's time-tested fundamental research expertise, honed over the firm's 50-year history of specializing in small- and mid-cap investing.

## WHAT INEFFICIENCY OR OPPORTUNITY IS THE STRATEGY DESIGNED TO EXPLOIT?

Wasatch believes markets structurally undervalue companies capable of sustaining long-term growth while self-financing their expansion. The strategy seeks to identify these businesses before their stock prices fully reflect their growth potential and hold the securities while earnings and revenue compound.

## WHAT IS THE INVESTMENT PHILOSOPHY UNDERPINNING THE APPROACH?

Wasatch's core investment philosophy is straightforward: Compounding earnings growth drives stock prices over the long term. Wasatch seeks growing companies with quality characteristics to further enhance risk-adjusted returns. The firm's research suggests that the combination of long-term, above-market compounded earnings growth and quality fundamentals can generate attractive, market-beating returns.

## HOW MANY HOLDINGS WILL THE ETF TYPICALLY HAVE?

The ETF will typically hold 65–95 securities, with roughly 70–80% of the portfolio weight in high conviction, core holdings that the team identifies through bottom-up fundamental research. The remainder of the portfolio consists of the risk management component, which helps balance and manage the portfolio's risk and factor exposures. Overall, the stocks associated with the risk management component help reduce the volatility associated with a concentrated approach.

## DESCRIBE THE RISK MANAGEMENT COMPONENT USED TO ROUND OUT EXPOSURE.

The risk management component utilizes internally developed risk models to identify additional stocks for the ETF. These holdings comprise approximately 20–30% of the portfolio and are designed to balance portfolio exposures, reduce tracking error and volatility, and align the overall portfolio with broader SMID-cap market characteristics. Stocks selected for this component are identified through a quantitative process that screens for high-quality characteristics.

## HOW WILL WASATCH MANAGE LIQUIDITY WITHIN THE SMID-CAP MARKET?

The SMID-cap market is vast, with names in the Russell 2000 and Russell Midcap Indices ranging from less than $100 million to more than $75 billion. As experienced small-cap managers, Wasatch has established common sense rules to help manage liquidity as assets under management grow and, most importantly, to ensure that existing clients in our small-cap strategies will not be harmed. As a result, the ETF has higher daily trading volume thresholds than other Wasatch small-cap portfolios and will typically not invest in micro-cap stocks or smaller and less liquid stocks in the small-cap universe.

## WHAT BENCHMARKS ARE APPROPRIATE FOR THE ETF AND WHY?

The primary benchmark is the Russell 2500 Index, which provides broad exposure across U.S. small- and mid-cap equities and spans both value and growth styles. Wasatch also believes investors could utilize the Russell 2500 Growth® Index as a secondary benchmark, given the strategy is likely to tilt toward growth and quality relative to the Russell 2500 Index.

# Investment Details, Philosophy and Performance

### BRIEFLY DESCRIBE THE SECURITY SELECTION PROCESS.

With more than 50 years of experience investing in small-cap companies and a deep bench of more than 30 investment professionals, Wasatch leverages a broad and collaborative research platform in support of the ETF. Security selection is driven by rigorous due diligence, with multiple team members evaluating each company, debating its investment merits and engaging directly with management teams. The process seeks to develop differentiated insights into business quality, the durability of growth and management strength before a company is added to the portfolio.

### IN WHAT MARKET ENVIRONMENTS SHOULD THE STRATEGY OUTPERFORM AND UNDERPERFORM?

The strategy is designed to outperform over long time horizons, particularly when quality growth stocks are rewarded. However, it may underperform in environments where lower-quality or highly cyclical stocks lead the market.

### HOW IS THE PORTFOLIO CONSTRUCTED?

The portfolio is constructed in two stages. First, the investment team selects a core set of high-conviction, liquid equity holdings through its bottom-up fundamental research process. Second, additional stocks are selected for the risk management component with the goal of balancing portfolio exposures and reducing tracking error. Position sizing reflects conviction, volatility, liquidity and diversification considerations.

# Team and Governance

### WHO ARE THE PORTFOLIO MANAGERS AND KEY TEAM MEMBERS, AND WHAT IS THEIR EXPERIENCE?

Jim Shaughnessy is co-portfolio manager of the ETF. Jim has 13 years of investment-industry experience. In addition to leading the ETF, he is a portfolio manager on Wasatch's U.S. Select Fund, which, like the ETF, focuses on long-duration, high-quality companies in the SMID-cap market. Prior to joining Wasatch, Jim spent more than six years at RS Investments as an analyst on the growth team, where he covered companies across several sectors and industries. Before RS, he specialized in researching internet companies at RBC Capital Markets and held research roles at Mizuho Securities USA and Oppenheimer & Co.

Dan Aloisio, CFA, also serves as co-portfolio manager of the ETF. Dan has 13 years of industry experience. He joined Wasatch in 2022 as a quantitative analyst, focusing on systematizing the firm's risk controls and portfolio construction. Prior to that, he ran an independent investment and analytics consultancy, working with family offices and hedge funds. He also spent six years at Bridgewater Associates, where he held roles in client-service analytics and research. During that time, he developed systematic investing gauges for global-markets trading.

While Jim and Dan serve as the named portfolio managers of the ETF, they do not make decisions in a vacuum. The ETF is supported by the same research platform that underpins Wasatch's other small-cap strategies. Portfolio decisions reflect a collaborative, team-based process that draws on the perspectives, due diligence and specialized expertise of Wasatch's broader investment team.

### HOW DOES THE TEAM STRUCTURE DECISION-MAKING?

Collaboration is a hallmark of Wasatch investing. The firm applies a "multiple eyes" approach to investing, with multiple team members conducting research, meeting with a company's management team and recommending stocks for various portfolios. As such, idea generation is always the byproduct of input and research from a broad investment team.

# Reporting and Transparency

### WHAT INFORMATION IS DISCLOSED DAILY VERSUS PERIODICALLY?

Holdings, net asset value (NAV), market price, premium discount and median bid/ask spread are reported daily, based on the prior business day's close. Performance data for the NAV and closing price are also reported on a monthly and quarterly basis.

# Tax Considerations

### HOW DOES THE ETF STRUCTURE IMPACT TAX EFFICIENCY?

The ETF structure enhances tax efficiency through in-kind creation/redemption processes, reducing capital-gains distributions to investors.

## Disclosures

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. This and other information is contained in the prospectus, which may be obtained by visiting wasatchglobal.com or by calling 800.551.1700. Please read the prospectus carefully before investing.**

The Wasatch Small/Mid Cap ETF is an actively managed exchange-traded fund (ETF). ETF shares are bought and sold at market price, not at net asset value (NAV), and are not individually redeemed from the Fund. Shares may trade at a premium or discount to NAV, and investors may incur brokerage commissions and bid-ask spreads. Only authorized participants may redeem shares directly from the Fund in large creation units.

Investing involves risk, including possible loss of principal. Past performance does not guarantee future results. There can be no assurance that the Fund will achieve its investment objective, outperform its benchmark, generate excess returns, or achieve positive investment results. Investments in small- and mid-cap companies may be more volatile and less liquid than investments in larger companies. Growth stocks may be more volatile than other stocks and may underperform when investors favor value-oriented investments. The Fund may invest in foreign securities, which involve additional risks, including currency fluctuations and political, economic and market uncertainty. The Fund is non-diversified, meaning it may invest a larger portion of its assets in the stocks of a limited number of companies than a diversified fund. Non-diversification increases the risk of loss to the Fund if the values of these securities decline. The Fund is new and has a limited operating history.

Investors cannot invest directly in an index.

The ETF structure may enhance tax efficiency through in-kind creation and redemption processes; however, there is no guarantee that the Fund will not make taxable distributions.

Russell 2000 Index represents the smallest 2,000 companies in the Russell 3000 Index, ranked by total market capitalization.

Russell Midcap Index is a market-capitalization-weighted index that measures the performance of the 800 smallest companies in the large-cap Russell 1000 Index.

Russell 2500 Index represents the smallest 2,500 companies in the Russell 3000 Index, ranked by total market capitalization.

Russell 2500 Growth Index measures the performance of Russell 2500 Index companies with higher price-to-book ratios and higher forecasted growth values.

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